



Service Retirement Facts

HYBRID PLAN

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF HAWAII

201 Merchant Street, Suite 1400
Honolulu, Hawaii 96813-2980

<http://www4.hawaii.gov/ers>

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This information is available in alternate format. Please call us at 586-1735 for information.

TABLE OF CONTENTS

SERVICE AND AGE REQUIREMENTS	1
SERVICE RETIREMENT— FULL	1
SERVICE RETIREMENT— EARLY	1
SERVICE RETIREMENT— VESTED/DEFERRED	1
AVERAGE FINAL COMPENSATION	1
SERVICE RETIREMENT BENEFIT FORMULA	2
SICK LEAVE CREDIT	2
HOW TO APPLY FOR RETIREMENT BENEFITS	2, 3
RETIREMENT ESTIMATES	3
POST RETIREMENT INCREASES	3
TAXATION OF RETIREMENT BENEFITS	3
RETIREMENT OPTIONS	4
MAXIMUM ALLOWANCE	4
OPTION ONE	4
OPTION TWO	5
OPTION THREE	5
OPTION FIVE	6
OPTION 4 (5 & Maximum)	6
OPTION 4 (5 & 1)	7
OPTION 4 (5 & 2)	8
OPTION 4 (5 & 3)	9
OPTION COMPARISON SUMMARY	10
CONTACTING THE ERS	11

SERVICE AND AGE REQUIREMENTS

Service Retirement— Full

- Age 55 with a minimum of 30 years of credited service, or
- Age 62 with a minimum of 5 years of credited service, or
- 25 years of credited service regardless of age and no age reduction if employed for the last 5 years as a sewer worker or water safety officer, or
- Graduated retirement regardless of age for emergency medical technicians (Act 199/03) with the following years of credited service (and the last 5) in that capacity:

<u>Years of Service</u>	<u>Retirement Date</u>
27	8/1/2006
26	7/1/2007
25	7/1/2008 and thereafter

Service Retirement— Early

- Age 55 with at least 20 years but less than 30 years of credited service
- Reduction factor will be 5% for each year (0.4166% for each month) under age 62

Service Retirement— Vested/Deferred (leave government service before age 62)

- Age 62 with a minimum of 5 years of credited service (unreduced benefit), or
- Age 55 with a minimum of 30 years of credited service (unreduced benefit), or
- Age 55 with at least 20 but less than 30 years of credited service, 5% reduction for each year (0.4166% for each month) between age 55 and 62

Unused sick leave credits cannot be used to meet any service credit eligibility requirements.

AVERAGE FINAL COMPENSATION

Average Final Compensation (AFC) is the average annual pay or salary including overtime earned by a member during the three highest twelve-month periods of creditable service excluding any lump sum vacation pay. For those employees who were members before January 1, 1971, AFC is the average annual pay or salary earned during the five highest twelve-month periods of creditable service including any lump sum vacation payment.

SERVICE RETIREMENT BENEFIT FORMULA

2% x Years of Credited Hybrid Service x Average Final Compensation (AFC)

If a member also has Noncontributory Plan service, benefit will be based on a split formula:

1.25% x Years of Credited Noncontributory Service x AFC
plus

2% x Years of Credited Hybrid Service x AFC

If eligible for early retirement, benefits shall be computed like a full retirement and reduced 0.4166% for each month the member is less than age 62.

If eligible for vested retirement, benefits shall be computed like a full retirement and payable when the member attains age 62. However, if the member has 20 years but less than 30 years of credited service, the member may apply for early retirement and receive reduced benefits at age 55.

SICK LEAVE CREDIT

If a member has at least 60 days of unused sick leave at retirement and leaves government service in good standing, the unused sick leave will be converted to additional service credit at the rate of one additional month of service for each 20 days of unused sick leave. Any remaining balance of ten or more days will provide one more month of service credit.

Sick leave credit for a member with Noncontributory Plan service may be calculated on a split formula if all of the sick leave could not have been earned while in the Hybrid Plan.

HOW TO APPLY FOR RETIREMENT BENEFITS

Any member who qualifies for service retirement may retire by filing an application with the ERS. Applications are available on the ERS website at <http://www4.hawaii.gov/ers> or by calling the ERS office.

Counseling and assistance in completing the application form are available at the ERS office by appointment. Group filing sessions are scheduled periodically throughout the year.

Retirement applications must be notarized. Notary services are provided at all ERS locations at no charge. Retirement date must be the 1st of the month except for December when retirement can be either the 1st or the 31st of the month.

An application may be filed with the ERS office as early as 150 days before but not less than 30 days before the retirement date.

HOW TO APPLY FOR RETIREMENT BENEFITS *(Continued from page 2)*

In the event a member dies after filing a retirement application but before the member's retirement date, or if death occurs within one year of retirement, the designated beneficiary may elect to receive the survivor benefit for the option selected by the member, or the ordinary death benefit (lump sum payment or Option Two survivor benefit).

A member is restricted to filing only three service retirement applications. The first two may be cancelled prior to the effective date of retirement, however, withdrawal of the third application is not allowed, and retirement will be mandatory on the date specified in that application.

The ERS must provide written notification of a member's retirement date, option selection, and beneficiary designation to the member's spouse/reciprocal beneficiary.

RETIREMENT ESTIMATES

Members who do not have serious intentions of immediate retirement may use the retirement calculator available on the ERS website which can be found at <http://www4.hawaii.gov/ers> (select Benefits Calculators from the left menu bar). The calculator will provide a reasonably accurate estimate of retirement benefits under all options.

POST RETIREMENT INCREASES

Every retiree's basic retirement pension is increased by 2-½ % on each July 1st, beginning the calendar year after retirement. The 2-½ % post retirement increase is based on the original retirement pension and is not compounded. This is a cumulative increase without a ceiling.

TAXATION OF RETIREMENT BENEFITS

Retirement benefits are subject to Federal income taxes but are exempt from Hawaii State income taxes. The ERS will provide the necessary tax information by January 31st of each year.

RETIREMENT OPTIONS

An option selection should be made at the time the retirement application is filed. **Option changes are only allowed prior to the effective date of retirement.** A member may elect to retire under one of the following options:

MAXIMUM ALLOWANCE

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Maximum monthly pension • No refund of contributions • No refund payment to invest and manage 	<ul style="list-style-type: none"> • Highest monthly pension for life 	<ul style="list-style-type: none"> • No lifetime survivor benefit • Receives difference between total contributions and total retirement benefit paid prior to death • Trust, estate, or multiple beneficiaries allowed • Beneficiary changes allowed

OPTION ONE

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Reduced monthly pension • Insurance Reserve • No refund of contributions • No refund payment to invest and manage 	<ul style="list-style-type: none"> • Reduced monthly pension for life 	<ul style="list-style-type: none"> • Receives difference between insurance reserve and total retirement benefit paid prior to death in a <ul style="list-style-type: none"> – Lump sum, or – Monthly annuity • NO BENEFIT payable after insurance reserve is depleted (approximately 10 to 12 years after retirement) • Trust, estate, or multiple beneficiaries allowed • Beneficiary changes allowed

OPTION TWO*

*** IMPORTANT NOTICE:** Rule changes affecting 100% joint & survivor retirement options with non-spouse beneficiary

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Reduced monthly pension • No refund of contributions • No refund payment to invest and manage • 100% survivor benefit for one beneficiary • Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction 	<ul style="list-style-type: none"> • Reduced monthly pension for life • Should the beneficiary predecease the retiree, retiree's pension converts to the Maximum Allowance 	<ul style="list-style-type: none"> • Receives SAME monthly benefit as retiree for life even if change in marital status occurs • Continued post retirement increases for life • NO beneficiary changes allowed even if marital status changes or beneficiary dies • Especially suited for beneficiary who is dependent upon retiree's pension and who has little or no other source of income • Beneficiary must be an individual

OPTION THREE

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Reduced monthly pension • No refund of contributions • No refund payment to invest and manage • 50% survivor benefit for one beneficiary • Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction 	<ul style="list-style-type: none"> • Reduced monthly pension for life • Higher monthly benefit than Option Two • Should the beneficiary predecease the retiree, retiree's pension converts to the Maximum Allowance 	<ul style="list-style-type: none"> • Receives one-half of both monthly benefit and post retirement increases for life even if change in marital status occurs • Continued post retirement increases for life • NO beneficiary changes allowed even if marital status changes or beneficiary dies • Suited for beneficiary who is not totally dependent on retiree's pension and who has other sources of income • Beneficiary must be an individual

*****NOTE: Option 5 and Options 4 (5 & Maximum), 4 (5 & 1), 4 (5 & 2), and 4 (5 & 3) are only available to members with at least 10 years of credited service excluding sick leave***

OPTION FIVE

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Reduced monthly pension • Possible tax consequences on any contributions in excess of the pre-1987 non-taxable contributions, taxable portion eligible for rollover • Requires wise management and investment of the refund payment to supplement the monthly pension 	<ul style="list-style-type: none"> • Lowest lifetime monthly pension • Refund of all contributions and interest 	<ul style="list-style-type: none"> • No lifetime survivor benefit • Trust, estate, or multiple beneficiaries allowed • Beneficiary changes allowed

OPTION 4 (5 & Maximum)

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Refund of non-taxable pre-1987 contributions or 50% of total contributions • For 50% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover • Requires wise management and investment of the refund payment to supplement the monthly pension 	<ul style="list-style-type: none"> • Highest lifetime monthly pension with a refund • Reduced monthly pension for life • Refund of partial contributions 	<ul style="list-style-type: none"> • No lifetime survivor benefit • Receives difference between total contributions and any retirement benefit (including refund of contributions) paid prior to death • Trust, estate, or multiple beneficiaries allowed • Beneficiary changes allowed

OPTION 4 (5 & 1)

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Reduced monthly pension • Insurance Reserve • Refund of non-taxable pre-1987 contributions or 50% of total contributions • For 50% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover • Requires wise management and investment of refund payment to supplement the monthly pension 	<ul style="list-style-type: none"> • Reduced monthly pension for life • Refund of partial contributions 	<ul style="list-style-type: none"> • Receives difference between insurance reserve and total retirement benefit paid prior to death in a <ul style="list-style-type: none"> – Lump sum, or – Monthly annuity • NO BENEFIT payable after insurance reserve is depleted (approximately 10 to 12 years after retirement) • Trust, estate, or multiple beneficiaries allowed • Beneficiary changes allowed

OPTION 4 (5 & 2)*

**IMPORTANT NOTICE: Rule changes affecting 100% joint & survivor retirement options with non-spouse beneficiary.*

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Reduced monthly pension • Refund of non-taxable pre-1987 contributions or 50% of total contributions • For 50% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover • Requires wise management and investment of refund payment to supplement the monthly pension • 100% survivor benefit for one beneficiary • Reduction of retiree's pension based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction 	<ul style="list-style-type: none"> • Reduced monthly pension for life • Refund of partial contributions • Should the beneficiary predecease the retiree, retiree's pension converts to the appropriate Option 4 Maximum Allowance 	<ul style="list-style-type: none"> • Receives SAME monthly benefit as retiree for life even if change in marital status occurs • Continued post retirement increases for life • NO beneficiary changes allowed even if marital status changes or beneficiary dies • Especially suited for beneficiary who is dependent upon retiree's pension and who has little or no other source of income • Beneficiary must be an individual

OPTION 4 (5 & 3)

<u>Features</u>	<u>Retiree</u>	<u>Beneficiary</u>
<ul style="list-style-type: none"> • Reduced monthly pension • Refund of non-taxable pre-1987 contributions or 50% of total contributions • For 50% refund option, amount in excess of pre-1987 contributions will be taxable and eligible for rollover • Requires wise management and investment of refund payment to supplement the monthly pension • 50% survivor benefit for one beneficiary • Reduction of retiree's benefit based on age difference between retiree and beneficiary at the time of retirement. The younger the beneficiary, the greater the reduction 	<ul style="list-style-type: none"> • Reduced monthly pension for life • Refund of partial contributions • Higher monthly pension than Option 4 (5 & 2) • Should the beneficiary predecease the retiree, retiree's pension converts to the appropriate Option 4 Maximum Allowance 	<ul style="list-style-type: none"> • Receives one-half of both monthly benefit and post retirement increases for life even if change in marital status occurs • Continued post retirement increases for life • NO beneficiary changes allowed even if marital status changes or beneficiary dies • Suited for beneficiary who is not totally dependent on retiree's pension and who has other sources of income • Beneficiary must be an individual

OPTION COMPARISON SUMMARY

Option	Lifetime Pension to Retiree	Lifetime Benefit to Beneficiary	“Pop Up” Feature	Refund of Contributions	Refund Amount
Maximum Allowance	Yes	No	No	No	None
Option One	Yes	No	No	No	None
Option Two	Yes	Yes (100%)	Yes	No	None
Option Three	Yes	Yes (50%)	Yes	No	None
Option 4 (5 & Maximum)	Yes	No	No	Yes	Pre-1987 or 50%
Option 4 (5 & 1)	Yes	No	No	Yes	Pre-1987 or 50%
Option 4 (5 & 2)	Yes	Yes (100%)	Yes	Yes	Pre-1987 or 50%
Option 4 (5 & 3)	Yes	Yes (50%)	Yes	Yes	Pre-1987 or 50%
Option 5	Yes	No	No	Yes	100%

CONTACTING THE ERS

The Employees' Retirement System (ERS) office is located at the corner of Merchant and Alakea Streets on the 14th Floor of the City Financial Tower in downtown, Honolulu. Validated parking is available in the building. The entrance to the City Financial Tower parking lot is on Richards Street.

Office hours are from 7:45 a.m. to 4:30 p.m. Monday through Friday (except Holidays).

Oahu: City Financial Tower
201 Merchant Street, Suite 1400
Honolulu, HI 96813

Benefits Branch: (808) 586-1735
Fax: (808)587-5766

Hawaii: 101 Aupuni Street, Suite 208
Hilo, HI 96720

974-4077, 974-4076
or Toll-Free to Oahu @ 974-4000 Ext. 61735

Kauai: 3060 Eiwa Street, Room 302
Lihue, HI 96766

274-3010, 274-3011
or Toll-Free to Oahu @ 274-3141 Ext. 61735

Maui: 54 S. High Street, Room 218
Wailuku, HI 96793

984-8181, 984-8282
or Toll-Free to Oahu @ 984-2400 Ext. 61735

Molokai/Lanai Toll-Free to Oahu @ 1-800-468-4644 Ext. 61735

US Mainland Only Toll-Free to Oahu @ 1-888-659-0708

Website: <http://www4.hawaii.gov/ers>